

**FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP PLC**

ATTORNEYS AT LAW

MEMPHIS DOWNTOWN
One Commerce Square, Suite 2000
Memphis, Tennessee 38103
Telephone 901-259-7100
Facsimile 901-259-7150

HISTORIC CASTNER-KNOTT BUILDING
618 CHURCH STREET, SUITE 300
NASHVILLE, TN 37219

(615) 726-1200 telephone
(615) 726-1776 facsimile

Kristi Stout
kstout@farrismathews.com

RECEIVED

2005 AUG 10 11:06 AM
MEMPHIS EAST, 06
1100 Ridgeway Loop Road, Suite 400
Memphis, Tennessee 38120
Telephone 901-259-7120
Facsimile 901-259-7180
T.R.A. BOOKET ROOM

Reply to
Nashville Office

August 10, 2005

Chairman Ron Jones
Attn: Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

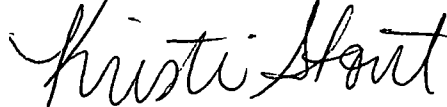
RE: Petition of King's Chapel Capacity, LLC for Certificate of Convenience and Necessity to
Serve an Area in Williamson County, Tennessee Known as Ashby Community Docket No. 04-
00335 (Data Request Responses)

Dear Chairman Jones:

Please find enclosed for filing, an original and 14 copies of King Chapel Capacity's Data
Request Responses. Please date stamp one copy for my records. Thank you for your assistance
regarding this matter. If you have any questions, or if I may be of further assistance, please do not
hesitate to contact me.

Very truly yours,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC



Kristi Stout

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**PETITION OF KING’S CHAPEL)
CAPACITY, LLC FOR CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO)
SERVE AN AREA IN WILLIAMSON)
COUNTY, TENNESSEE KNOWN AS)
ASHBY COMMUNITY)**

DOCKET NO. 04-00335

**KING’S CHAPEL CAPACITY, LLC’S RESPONSE TO DATA REQUESTS OF
THE TENNESSEE REGULATORY AUTHORITY**

King’s Chapel Capacity, LLC, by and through undersigned counsel of record,
hereby provides the following responses to the Tennessee Regulatory Authority’s Data
Requests:

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 1. Provide a copy of any franchise granted by a city or county to King's Chapel, LLC ("KCC").**

Company Response:

To the best of KCC's knowledge, Williamson County does not issue franchise agreements to wastewater utilities. As such, KCC has no franchise agreement from the county. Also, KCC's proposed service area is not located within the boundaries of any incorporated city or Planned Growth Area.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

2. **Provide a complete description of the geographical territory to be served. Include the number of acres, and clear legible maps of the area with the proposed service territory clearly plotted.**

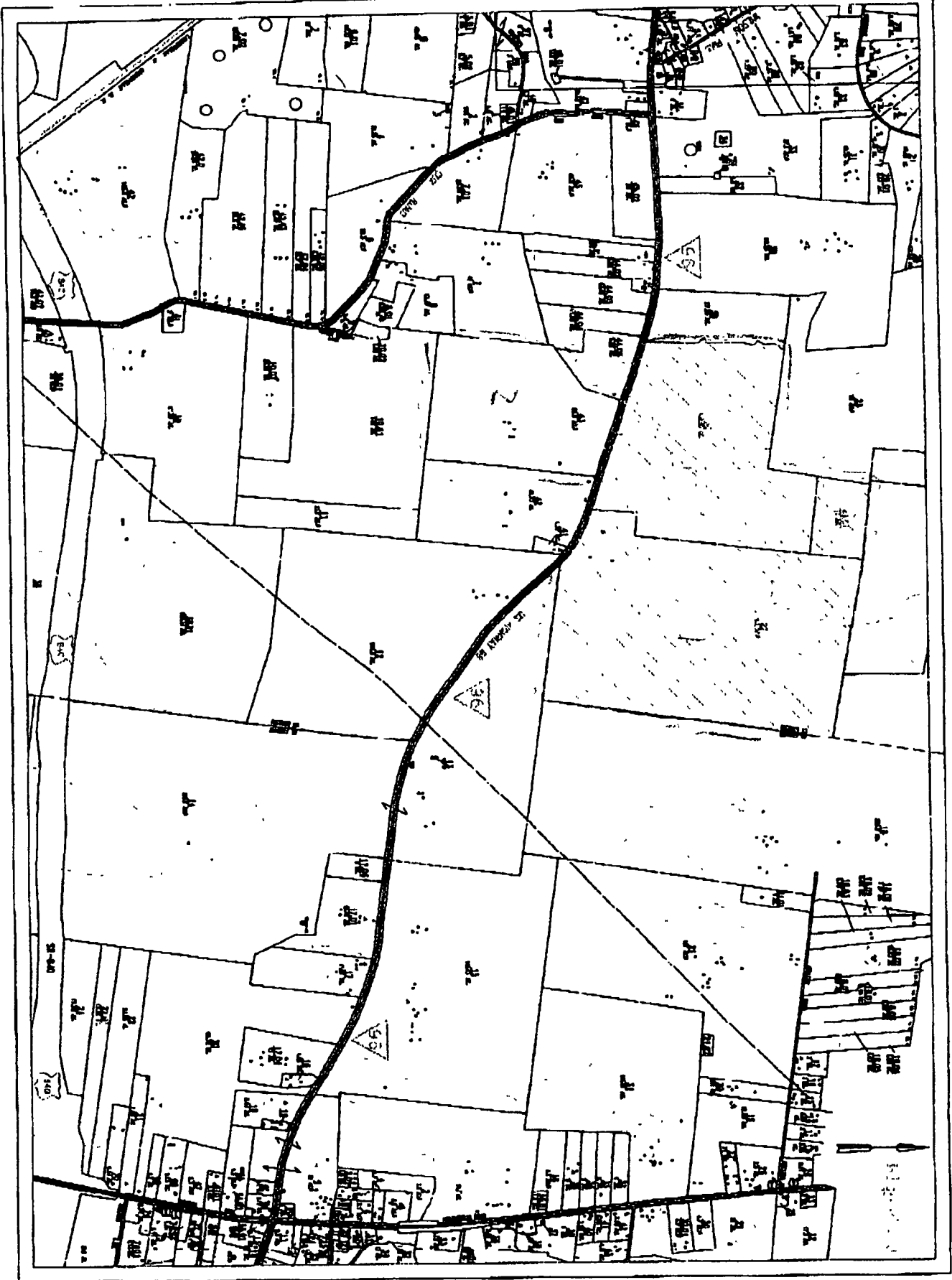
Company Response:

The area that KCC proposes to serve is composed of two subdivisions. Kings Chapel Subdivision & Blackhawk Subdivision.

The specific geographical territory comprising these two subdivisions is as follows:

<u>Williamson County Map 109</u>	<u>Acres</u>
Parcel 22 Tract 1 (Hang Rock, Kings Chapel Subdivision)	89.71
Parcel 22 Tract 2 (Kings Camp, Kings Chapel Subdivision)	48.33
Parcel 22 Tract 3 (Over The Branch, Kings Chapel Subdivision)	63.38
Parcels 40 & 43.01 (Arrington Meadows, Kings Chapel Subdivision)	147.62
Parcel 43 (Blackhawk Subdivision)	<u>80.90</u>
Total Acres	429.94

A map of this service territory is attached.



King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

3. **Provide a complete description of the Ashby Communities development. Identify the names of the subdivisions, and the number of homes or lots that will be served in each.**

Company Response:

Ashby Communities is the developer of property that is owned by four different LLCs. These LLCs are as follows:

Hang Rock, LLC;
Kings Camp, LLC;
Arrington Meadows, LLC; and
Over the Branch, LLC

The property belonging to these four LLCs are being developed by Ashby Communities, and the name of the subdivision is Kings Chapel. The King's Chapel subdivision is composed of 218 single family lots that are incorporated in its site plan. The Blackhawk subdivision now has 33 single family lots incorporated within its site plan.¹

¹ The Blackhawk subdivision originally had 51 single family lots incorporated into its site plan. However, because of time delays, the developer converted the first phase of this development to a septic tank wastewater system with a corresponding reduction in lots to allow for this change.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 4. Provide a five (5) year plan showing the estimated build out of the homes currently scheduled to be served by KCC, plus any projected future growth. Include the Company's basis and assumptions used for its projections.**

Company Response:

Neither KCC nor any of its related entities will be a builder of any of the homes in the Ashby Community. As such, the projected time period to build-out the subdivision is unknown since it is outside of the control of KCC. While the build-out rate in the Ashby Community will ultimately be determined by the individual builders/owners of the lots, it will be based on a number of factors including the state of the economy and housing construction prices.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

5. The Financial Asset section of KCC's Petition (Exhibit Four) contained a memo from First Tennessee Bank dated September 29, 2004, stating that three Letters of Credit have been issued for Hang Rock, LLC.
- a. Identify the entity Hang Rock, LLC and explain the relevance of Hang Rock, LLC to this Petition.
 - b. Provide the amounts associated with each Letter of Credit and whether each is considered to be an open line of credit.
 - c. What is the remaining balance on each letter of credit?

Company Response:

Hang Rock is one of the four LLCs that own property in the Subdivision known as King's Chapel that is being developed by Ashby Communities.² The owners of these four LLCs are the same owners of KCC, the petitioner

The Letters of Credit required by Williamson County that relate to the wastewater system are as follows:

First Letter of Credit	\$651,000
Second Letter of Credit	\$998,208

These Letters of Credit are issued only because the Petitioner has the amount of cash on hand to satisfy this requirement of Williamson County. Please not that these Letters of Credit are not a credit line. Instead, if the wastewater system should fail for any reason, the Letters of Credit allow the County to notify the bank that they are calling the Letter of Credit to fix any problems that they may have determined to exist with the wastewater system.

Because these are letters of credit they are not meant to be used as a line of credit. These letters of credit were used to show the TRA that the Petitioner has the financial capability to pay for the construction of the wastewater system and then to place approximately 1.6 million dollars in cash to secure its continued operation.

² See Company response to Item #3 for a description of the remaining LLC entities

**King's Chapel Capacity
TRA Data Request Response – Docket 04-00335**

- 6. Provide details of any funding sources available to KCC. Also, provide a current financial statement for King's Chapel Capacity, LLC, including a Balance Sheet, Income Statement and Statement of Cash Flows for the year ended December 2004.**

Company Response:

The equity of the partners is the only funding source available at this time to KCC.

T.C.A. 65-4-201 prohibits an entity from either constructing utility plant or commencing utility operations until it first receives a CCN from the TRA. As a result, KCC has no financial statements for 2004.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

7. **Provide copies of the engineering and construction plans and specifications as submitted to the Tennessee Department of Environment and Conservation (TDEC) for its approval.**

Company Response:

We are supplying a copy of the engineering and construction blueprints approved by TDEC in SOP #3032 for King's Chapel Capacity. Because of the size (24" x 36") and cost of duplicating these blueprints, we are only providing one copy. However, copies of these blueprints are available for public inspection and copy at TDEC offices.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 8. Identify the owners/members/officers of KCC. Provide the addresses, telephone numbers, and the percentage of ownership of each.**

Company Response:

The Requested information is as follows:

Dr. Wright Pinson	50% owner / member
408 Charlesgate Court	615-343-0800
Nashville, TN 37215	615-500-3038

John Powell	25% owner / member
1413 Plymouth Drive	615-370-4432
Brentwood, TN 37027	615-496-8681

Elaine Powell	25% owner / member
1413 Plymouth Drive	615-370-4432
Brentwood, TN 37027	615-496-8681

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

9. **Provide a current organizational chart for KCC, showing each officer and any other key personnel by name and title.**

Company Response:

Administrative

John Powell – Managing Member
Dr, Wright Pinson
Elaine Powell
Hal Novak (WHN Consulting) – Regulatory & Accounting
Chuck Welch – Legal

Operational

John Powell – Managing Member
Jim Johnson – Operator

**King's Chapel Capacity
TRA Data Request Response – Docket 04-00335**

- 10. Is James B. Johnson a current employee of Kings Chapel capacity, LLC? If not, identify the person who will have the technical responsibility for the operation and maintenance of the proposed system. Also, provide copies of any associated consulting/vendor contracts.**

Company Response:


KCC has a contract with James B. Johnson to provide technical oversight of the operation and maintenance of the KCC wastewater system. KCC has no technical contracts with any other vendors or consultants. The contract with Mr. Johnson is attached

Engagement Agreement

I, Jim Johnson, a certified holder of a class 4 wastewater operators license in Tennessee offer contract employment services to King's Chapel Capacity, LLC for the purpose of operating the sewer wastewater system that services the property known as King's Chapel Subdivision. The proposed engagement period is for an unspecified period of time and shall exist as long as services are being rendered or until terminated by either party. As payment for these services, KCC agrees to pay me a mutually agreed amount of \$700.00 per month. A retainer in the amount of \$250 will be tendered to me in order to reserve my services for KCC. As part of the retainer, I may be required to appear at State Administrative Conferences, State Board Hearings, and any Williamson County Proceedings. In addition, as part of the retainer I agree not to accept future services that would conflict with the agreement made upon here. KCC understands that I am also employed by The City of Franklin, Tennessee, and have additional contracts to operate other wastewater facilities.

Pursuant to this agreement, I agree to be the full-time operator of the aforesaid sewer wastewater system. This would entail, but not be limited to, inspecting and maintaining the system in accordance with all applicable Local, State and Federal laws and rules.

Either party can terminate with or without cause this agreement. If terminated by me, I agree to give KCC a 30-day written notice prior to the final day of my services. I also agree to perform the required and necessary services needed to operate and maintain the sewer system up until the final agreed upon date of work. If terminated by KCC, KCC agrees to compensate me for any work performed up to the time of termination and agrees to provide a 30-day severance.


Jim Johnson
Operator Lic. # 405501106

8/9/05

Date

John Powell
Managing Member of KCC

Date

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 11. What is the estimated amount of Contributed Capital that will be recorded on KCC's books?**

Company Response:

T.C.A. 65-4-201 prohibits entities from constructing utility plant until they first receive a CCN from the TRA. As such, the actual amount of utility plant that will be recorded as a Contribution in Aid of Construction ("CIAOC") is unknown at this time because the plant has not yet been constructed. Nevertheless, KCC estimates the final cost of its physical utility plant to be approximately \$1 million which would be recorded as a CIAOC on the books of KCC.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 12. Provide an estimate of the maximum capacity of the proposed wastewater system.**

Company Response:

The maximum capacity of the proposed wastewater system is 66,000 gallons per day.

**King's Chapel Capacity
TRA Data Request Response – Docket 04-00335**

- 13. Provide an estimated date construction will be complete and the estimated date the wastewater system will be placed in service.**

Company Response:

The estimated date of completed construction and the date that the wastewater system will be placed in service is unknown at this time since it is dependent on approval first by the TRA. However, assuming that the TRA places this docket on its August 22, 2005 Conference Agenda, KCC estimates that construction will be completed by November 1st, 2005 and that service to the first customer will begin on February 1st, 2006

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 14. Provide the security requirements (amounts, duration and costs) of Williamson County i.e. bonds and/or letters of credit and the impact on customer rates.**

Company Response:

Presently Williamson County has requested two bonds for the wastewater system. The first is a Backup Bond in the amount of \$651,000 which Williamson County presently requires to be permanently in place. The second bond is a Construction Bond in the amount of \$998,208. The amount of this Construction Bond will be increased as additional phases of the development are constructed and additional collection lines to the wastewater system are added. The Construction Bond will then eventually be decreased to zero (\$0) when the subdivision and wastewater system is fully built out.

Williamson County requires that these two bonds be secured by an irrevocable Letter of Credit ("LOC") from a local bank. The owners of KCC purchased these two LOC from SunTrust Bank. The approximate cost for both of these bonds was \$16,000.00 for a two-year period. This initial bonding cost will be borne by the developers of the subdivision. Any amounts collected from ratepayers will be directed to the financial institution for credit towards this LOC/Bonding cost.

At some future date, when the subdivision is fully built out and the amount of the bonds required have been reduced, the amounts collected from KCC's customers should support the cost of the bonds/LOC as a pass-through cost. However, during construction and for an additional time period required by the county, the developers of the subdivision will have to pay all amounts over what the existing customers have paid until the subdivision is fully built out.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 15. Provide pre-filed testimony attesting to the public need that exists for a wastewater system in the Ashby Communities Development, as well as the financial, technical and managerial capability of Kings Chapel, LLC to operate and maintain a wastewater system.**

Company Response:

See attached.

1 **Q. Would you state your name for the record, please?**

2 A. My name is John Powell.

3 **Q. By whom are you employed, Mr. Powell, and what is your position?**

4 A. I am a Partner and the General Manager of King's Chapel Capacity, L.L.C.
5 ("KCC").

6 **Q. How long have you been employed by King's Chapel Capacity, L.L.C.?**

7 A. Since its inception in 2004.

8 **Q. Please describe the area known as Ashby Communities that King's Chapel
9 Capacity proposes to service.**

10 A. Ashby Communities is the developer of property that is owned by four different
11 LLCs. These LLCs are Hang Rock, LLC; King's Camp, LLC; Arrington
12 Meadows, LLC; and Over the Branch, LLC. The property belonging to these four
13 LLCs are being developed by Ashby Communities, and the name of the subdivision is
14 Kings Chapel. The King's Chapel subdivision is composed of 218 single family lots that
15 are incorporated in its site plan, and the Blackhawk subdivision has 33 single family lots
16 incorporated within its site plan.

17 **Q. Does a need presently exist for a wastewater provider in the Ashby
18 Communities?**

19 A. Yes. As mentioned in our Petition, Ashby Communities is presently without a
20 wastewater provider. Neither Williamson County nor any of the local utility
21 districts or municipalities intends to provide wastewater service to this area. As a
22 result, the only wastewater alternative for Ashby Communities apart from KCC
23 would be individual septic tanks which would be harmful to the environment in
24 this area.

25 **Q. Mr. Powell, what is the purpose of your testimony in this case?**

26 A. The purpose of my testimony is to present information to the TRA on managerial,
27 financial, and technical capability of KCC. In addition, I am responsible for the

1 information previously submitted by KCC in response to the TRA Staff's data
2 request.

3 **Q. Mr. Powell, does King's Chapel Capacity, L.L.C. possess the managerial**
4 **capabilities to operate a wastewater utility?**

5 A. Yes. KCC, along with its outside consultants and contractors, has the managerial
6 capability to provide wastewater utility services. Specifically, KCC has
7 contracted with WHN Consulting and Farris Mathews, Branam Bobango Hellen &
8 Dunlap to provide it with the regulatory, accounting and legal expertise that it will need
9 to carry out its managerial duties.

10 **Q. Mr. Powell, please describe the financial capabilities of King's Chapel**
11 **Capacity, L.L.C.**

12 A. Through its owners, KCC possesses the financial capability to provide wastewater
13 utility service. Naturally, without proper financial capability, the wastewater
14 infrastructure couldn't be built in the first place. However, KCC has also secured
15 bonds to assure the continued performance of wastewater service for the Ashby
16 Communities

17 **Q. Mr. Powell, please describe the technical capabilities of King's Chapel**
18 **Capacity, L.L.C.**

19 A. KCC, along with its outside consultants and contractors, has the technical
20 capability to provide wastewater utility services. Specifically, KCC has
21 contracted with an experienced Certified Class IV Wastewater Operator to provide
22 it with the operating and maintenance capabilities that it will need to carry out its
23 technical duties.

24 **Q. Does this conclude your testimony?**

25 A. Yes, it does

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

16. In the Company's proposed tariff TRA #2 (Rules and Regulations), Sheet #6, the sentence found under section "Tennessee Regulatory Authority" refers to Williamson County Capacity. Please explain.

Company Response:

See attached for a corrected draft of TRA #2, Sheet #6. KCC was originally considering the name "William County Capacity" for its proposed wastewater system. However, during the drafting of its tariff, the name "Williamson County Capacity" was discarded in favor of "King's Chapel Capacity." The remaining reference to "Williamson County Capacity" on TRA #2, Sheet #6 was simply an oversight as the tariff was being drafted.

Contributions in Aid of Construction

Wastewater system components furnished by developers and landowners to King's Chapel Capacity will be recognized as Contributions in Aid of Construction in the amount of actual construction cost.

Contracts for Services

Each customer, before installation of service, shall be required to execute a sewer service agreement with King's Chapel Capacity.

Customer Billing

Customer billing may be different from area to area. If the area is serviced by a utility water service, the water provider will be requested to provide billing services. For flat fee areas a coupon book will be provided on an annual basis with monthly statements. Water bill comparisons or metering may be employed if higher water usage than typical is suspected.

In cases where pass through treatment costs and commercial customers are involved, a monthly bill will be sent to the customer and will be based on the gallons of water consumed.

Public Contact

John Powell, President
King's Chapel Capacity
1413 Plymouth Drive
Brentwood, TN 37027

Phone: 615-370-4432

Tennessee Regulatory Authority Regulations

King's Chapel Capacity County Capacity in its operation, shall conform to all applicable rules and regulations promulgated by the Tennessee Regulatory Authority. Phone 1-800- 342-8359.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

17. **Provide a chart of accounts for the Company, following the NARUC Uniform System of Accounts (USOA) for wastewater utilities.**

Company Response:

Because the Company has not yet begun construction or operations, it has no chart of accounts to provide at this time. However, the Company fully intends to adopt the NARUC USOA in its financial reporting to the TRA.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 18. What is the total (actual) cost of the wastewater system constructed to service Ashby Community? How much of this cost was paid for by KCC and how much is contributed plant?**

Company Response:

T.C.A. 65-4-201 prohibits entities from constructing plant until they first receive a CCN from the TRA. As such, the total (actual) cost of the wastewater system constructed to service the Ashby Community is unknown at this time because the plant has not been constructed. Nevertheless, KCC estimates the final cost of its physical utility plant to be approximately \$1 million which would be recorded as CIAOC on the books of KCC.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 19. Provide a list of all plant-in service accounts, account names and account balances as of the start of operations.**

Company Response:

T.C.A. 65-4-201 prohibits utilities from constructing plant and commencing operations until they first receive a CCN from the TRA. As such, the plant-in-service account numbers, account names and account balances cannot be provided because the plant has not yet been constructed.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

20. **Provide the depreciation rates KCC intends to use for each type of capital equipment (i.e. plant account) that will be on KCC's books, including the estimated useful life of each. If no depreciation study has been performed, explain KCC's basis for these rates.**

Company Response:

This information was inadvertently omitted from KCC's Petition. KCC proposes to use a depreciation rate of 2.00% representing a 50 year life on USOA Account #360-Collection Sewers Equipment and a 3.85% rate representing a 24 year life for USOA Account #380-Treatment & Disposal Equipment.

Although no depreciation study has been undertaken at this time by KCC, these rates are the same as that adopted by the TRA in the last rate case for Tennessee Wastewater Service (Docket #99-00393). In addition, KCC would propose to use these same depreciation rates to amortize Contributions in Aid of Construction (CIAOC).

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 21. Provide a projection of the operation and maintenance expenses by month and by account number (as identified in Request #17) for the first two years of operation.**

Company Response:

The total amount of Operations & Maintenance (“O&M”) expense will be most dependent on the number of customers coming on to the KCC system, which is outside the control of KCC. However, KCC does expect the relationship of the cost structure in its proposed tariff rates to be consistent for any number of customers.

As shown in the Company’s proposed Tariff TRA#3-Residential Services, Sheet #2, the total monthly cost of service per customer for Ashby Communities is expected to be \$35.11. The Company’s expected revenues from providing utility service will therefore equal its cost of providing utility service with no return to KCC. The Company expects this relationship of cost per customer to hold true for any customer level that can be anticipated.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

22. **Provide the Company's assumptions, basis and calculations used to arrive at each projected monthly expense amount for Year 1 and Year 2.**

Company Response:

The total monthly expense will be most dependent on the number of customers coming on to the KCC system, which is outside the control of KCC. However, KCC does expect the relationship of the cost structure in its proposed tariff rates to be consistent for any number of customers.

As shown in the Company's proposed Tariff TRA#3-Residential Services, Sheet #2, the total monthly cost of service per customer for Ashby Communities is expected to be \$35.11. The Company's expected revenues from providing utility service will therefore equal its cost of providing utility service with no return to KCC. The Company expects this relationship of cost per customer to hold true for any customer level that can be anticipated.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

23. For all payroll expenses, identify the position, the salary (or hourly rate and hours worked), and the basis for any projected increases.

Company Response:

The Company does not plan to have any employees. Therefore, payroll expenses are expected to be zero (\$0).

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 24. For any outside contracts, identify the provider, work performed, basis for payment, and a copy of the contract.**

Company Response:

The Company currently has the following contracts:

1. A contract with James B. Johnson to provide technical oversight of the operation and maintenance of the KCC wastewater system.
2. A contract with WHN Consulting to provide regulatory and accounting expertise and advice on the KCC wastewater system.
3. A professional relationship exists with Farris Mathews, Branam Bobango Hellen & Dunlap to provide legal expertise and advice on the KCC wastewater system.

A copy of the contract with James B Johnson was provided in response to Item #10 of this data request. A copy of the contract with WHN Consulting is attached.

SERVICES AGREEMENT

This Agreement ("Agreement") is entered into this ___ day of September, 2004, by and between Trailer Lease, Inc., a Tennessee corporation ("Company"), and William H. Novak, a sole proprietor ("Consultant").

WHEREAS, Company is engaged in the business of providing real estate development services and associated wastewater services in connection with said real estate development services (the "Business"); and

WHEREAS, Company desires to retain the services of Consultant to assist it with regulatory and financial analysis of the Business, and other services, which Company may from time to time request of Consultant; and

WHEREAS, Consultant is engaged on a free-lance basis from time to time by various businesses to assist them with research, retrieval, analysis and other services related to utility regulation; and

WHEREAS, it is the intention of the parties hereto that Consultant be retained to perform services on an as requested basis by Company

NOW, THEREFORE, in consideration of the premises and of the promises and agreements hereinafter set forth, the parties do hereby agree as follows:

Section 1. Services to Be Provided by Consultant. Company hereby retains Consultant and Consultant hereby agrees to provide consulting services to Company, on an as requested basis, in connection with the regulatory and financial analysis of the Business, and to provide other services which Company may request (collectively, the "Services") during the Term of this Agreement. Consultant is not providing any legal advice. Company must rely on the review of its own legal professionals for such advice.

Section 2. Compensation and Expenses

(a) Consulting Fee. In consideration of Consultant's performance of the Services, Company shall pay to Consultant a consulting fee at a rate of \$200.00 per hour of which Services are actually performed until the termination of the Agreement pursuant to Section 3 Consultant's hourly fees will be rounded to ten minute increments.

(b) Expenses. Company shall reimburse Consultant for all usual and customary business expenses incurred by Consultant while performing Services for Company in accordance with Company's customary policies and procedures, including but not limited to, reproduction expenses, overnight delivery expenses, travel and lodging.

(c) Payment Terms Consultant will invoice Company on a monthly basis on

or before the 15th day of the subsequent month for Consultant's hourly fees along with any expense invoices that Consultant has received on Company's behalf. Company will pay Consultant's invoices within 30 days of receipt of a proper invoice.

Section 3. Term and Termination

(a) Unless earlier terminated pursuant to Section 3(b), the term of this Agreement shall commence on September 8, 2004 and shall terminate on December 31, 2004 (the "Initial Term"). This Agreement shall then automatically renew for additional three-month periods (each a "Renewal Term") unless terminated pursuant to Section 3(b). The Initial Term and all Renewal Terms shall be referred to as the "Term."

(b) This Agreement and the rights and obligations of the parties, other than those rights and obligations set forth in Section 6, which shall survive such termination in accordance with their terms, will immediately terminate upon the first to occur of the following events:

- (i) Fifteen (15) days written notice by either party to the other party of its decision to terminate this Agreement, which it may do with or without cause at any time in its sole discretion;
- (ii) the mutual written agreement of Company and Consultant; or
- (iii) any breach by either party of any of the terms, conditions, or covenants embodied in this Agreement, and the failure to cure the same within ten (10) days following written notice of such breach by the nonbreaching party.

(c) Except for payments for fees earned and expenses incurred prior to the date of the termination of this Agreement, all payments to Consultant under Section 2 shall cease immediately upon the date of such termination. Consultant shall not be entitled to any additional pay, remuneration or reimbursement for his performance of the Services in exchange for his covenants in Section 6. Any termination of this Agreement shall not alter Consultant's obligations under Section 6, nor the time periods during which Consultant is subject to those obligations.

Section 4. Duties and Responsibilities. During the Term, Consultant agrees to perform the Services at the direction of Company and to serve Company faithfully, diligently and to the best ability in his performance of the Services. In connection with his performance of the Services, Consultant will be subject to such policies, procedures, directions and restrictions as Company may reasonably establish, and provide to Consultant in writing, from time to time.

Section 5 Relationship of the Parties. Consultant is entering into this Agreement as, and will continue to be an independent contractor and is not and shall not make any claim that he is an employee, agent, servant or representative of Company. Consultant shall have no authority to transact business, enter into agreements or otherwise make commitments on behalf of Company

unless expressly authorized to do so in writing by an authorized officer of Company. Consultant shall not be entitled to any benefits accorded to Company's employees, including, without limitation, worker's compensation, disability insurance, medical or dental benefits, vacation or sick pay. Company is only interested in the results of Consultant's performance of the Services. Consultant shall have sole control of the manner and means of his performance responsibilities under this Agreement.

Section 6 Confidentiality. During the Term of this Agreement and for a period of two (2) years thereafter, Consultant agrees to treat as confidential any information, whether oral, written, electronic or otherwise, provided by Company to Consultant that Company identifies as confidential or that Consultant, considering the circumstances of disclosure and the subject matter of the information disclosed, should reasonably consider to be confidential. All written documents containing any confidential information shall be returned to Company by Consultant and all electronic confidential information shall be destroyed by Consultant when the Agreement terminates or at any time upon Company's request. This confidentiality provision shall not apply when Consultant has received such information from a third party on a non-confidential basis and not derived from Company. Consultant may disclose confidential information only if Consultant receives written permission from Company to disclose such information.

Section 7 Taxes. Consultant shall be responsible for all state, federal, and local withholdings and/or taxes, including estimated taxes and social security, and appropriate reporting for Consultant or any employees or agents of Consultant.

Section 8 Records. Consultant agrees to keep full and accurate records of all consulting work performed under this Agreement

Section 9 Indemnification. Consultant agrees to indemnify, defend and save harmless Company, its employees, officers, directors, members and managers from and against any and all suits, claims, demands, losses, damages, fines, or judgments, and any expenses in connection with such, including without limitation, attorney's fees (collectively, the "Losses"), based upon or arising out of loss, damage or injury to the person or property of any other person or business entity resulting from any act or omission of Consultant, or its agents, in connection with the performance of the Services by Consultant. Company agrees to indemnify, defend and save harmless Consultant from and against any and all Losses, based upon or arising out of loss, damage or injury to the person or property of any other person or business entity resulting from the sole act or omission of Company, or its agents, in connection with the performance of the Services by Consultant, so long as such loss, damage or injury is in no way related to, a result of or arising from an act or omission of Consultant.

Section 10. Notices. All notices and other communications required or permitted under this Agreement shall be validly given, made, or served if in writing and delivered personally or sent by registered mail, to Consultant or Company at the following addresses:

addressed to Consultant at:
William H. Novak
19 Morning Arbor Place
The Woodlands, TX 77381

addressed to Company at:
Trailer Lease, Inc
P.O. Box 1463
Brentwood, Tennessee 37024
Attn: John Powell

Any notice which is delivered personally shall be deemed effective upon receipt by such party and any notice appropriately addressed and mailed shall be deemed effective on the third business day after the date it was placed in the mail, or if earlier, the time of actual receipt.

Section 11. Waiver. There shall be no waiver of any term, provision or condition of this Agreement unless the waiver is evidenced in writing. No such waiver shall be deemed to be a continuing waiver of such term, provision or condition of this Agreement unless the writing which evidences such waiver so states.

Section 12. Titles and Captions. All section titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the context or affect the interpretation of this Agreement.

Section 13 Presumption. This Agreement or any section thereof shall not be construed against any party due to the fact that said Agreement or any section thereof was drafted by said party.

Section 14 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original and both of which shall constitute one and the same instrument, binding on all parties hereto even though all the parties are not signatories to the same counterpart.

Section 15 Parties in Interest. Nothing herein shall be construed to be to the benefit of any third party, nor is it intended that any provision shall be for the benefit of any third party.

Section 16 Savings Clause. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Section 17. Entire Agreement. This Agreement contains the entire understanding between and among the parties and supersedes any prior understandings and agreements whether written or oral among them respecting the subject matter of this Agreement

Section 18 Agreement Binding This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. This Agreement may not

be assigned by either party without the written consent of the other party, which consent shall not be unreasonably withheld, except that Company, upon notice to Consultant, may assign this Agreement to any of its affiliates without the written consent of Consultant.

Section 19. Amendment. This Agreement may be amended only by the written agreement of the parties hereto.

Section 20 Further Action. The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of the Agreement.

Section 21 Survival. Consultant expressly agrees that any termination or rescission of this Agreement, regardless of the circumstances of or reason for such termination or rescission, shall not terminate, modify or any way diminish the enforceability of the covenants and agreements contained in this Agreement, including, without limitation, Sections 6, all of which covenants and agreements shall survive such termination or rescission.

Section 22. Conflict of Interest. Consultant warrants that no other contract or duty on its part now in existence conflicts with this Agreement and if Consultant becomes aware of any such conflict of interest, Consultant shall immediately notify Company

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:
Trailer Lease, Inc.
By:

John Powell, President

CONSULTANT:

William H. Novak

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

25. Has KCC obtained a bank loan to fund the initial start-up costs?

Company Response:

No. All initial start-up costs of KCC will be provided through an equity infusion of cash by the owners.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 26. If the answer to #25 is yes, what is the amount of the loan and the interest rate terms? Provide a copy of the loan agreement.**

Company Response:

Not applicable. The Company will not have a bank loan to fund the initial startup costs of KCC.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

27. **Provide an estimate of the Company's annual interest payments for Year 1 and Year 2.**

Company Response:

Because all of the initial physical utility plant will be contributed to the utility, KCC does not expect to have any annual interest payments for Year 1 or Year 2

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 28. What is the projected time period to fully build out the subdivision to its maximum 269 homes? Provide an estimated time line for the connection of customers to the wastewater system. Explain KCC's basis for its response.**

Company Response:

Neither KCC nor any of its related entities will be a builder of any of the homes in the Ashby Community. As such, the projected time period to fully build-out the subdivision to its maximum of 251 homes is unknown since it is outside of the control of KCC³. While the build-out rate in the Ashby Community will ultimately be determined by the individual builders/owners of the lots, it will be based on a number of factors including the state of the economy and housing construction prices. With consideration given to these factors, KCC would conservatively estimate that it will take from six to eight years before the Ashby Community reaches full build-out

³ Note that the Blackhawk subdivision reduced the number of lots available by eighteen (18) to allow the first phase of their development to use septic tanks instead of a centralized wastewater system. This change reduced the maximum lots available from 269 to 251.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

29. Regarding KCC's proposed tariff TRA #2:

- a. (Sheet #3, Winter Water Usage Rate) – Explain fully this section, including but not limited to: when this method of billing would apply, the basis for using an average monthly water usage, the rates applicable to the average usage, the support for a maximum bill of \$125, and the reason for deviating from the tariff rates proposed in TRA #1.
- b. (Sheet #4, Sewer Access Fee) – Will all 269 lots be provided with a tap or the availability of a tap at the onset of operations? If not, when are taps made available, so that the \$84 per lot per year charge is applicable?

Company Response:

KCC adapted these provisions from other wastewater utility tariffs already on file with the TRA. The Winter Water Usage Rate contained on Sheet #3 of the Company's proposed TRA Tariff #2, would only apply to wastewater rates that were tied to water consumption. This provision is typically applied to new commercial accounts that become active during the winter months when water consumption is lower.

There is no deviation from the Company's proposed tariff rates for this provision. At this time, the Company does not envision using this tariff component because there will not be any commercial customers within the Ashby Communities service territory. Only the rates included in the Company's proposed Tariff TRA#3-Residential Services, Sheet #2, will be charged to the Ashby Community. The Winter Water Usage Rate is simply a tariff provision that could be applied to future expansions that the TRA may grant to KCC.

In regards to the Sewer Access Fee of \$84 contained on Sheet #4 of the Company's proposed TRA Tariff #2, all 251 lots will be provided with a tap at the onset of operations⁴. The annual \$84 charge is designed to offset the sampling, testing and reporting costs included as Tariff Item #18 on TRA Tariff #1, Sheet #6 and is charged to the developer of each lot until a customer is taking service under the tariff.

⁴ Note that the Blackhawk subdivision reduced the number of lots available by eighteen (18) to allow the first phase of their development to use septic tanks instead of a centralized wastewater system. This change reduced the maximum lots available from 269 to 251.

**King's Chapel Capacity
TRA Data Request Response – Docket 04-00335**

- 30. Provide responses to the following questions concerning the individual tariff items found in KCC's TRA #1.**
- a. For those operation and maintenance expenses reflected in tariff items 1 through 10 (Sheets #1 - #3), provide a detailed calculation of each cost component, using the most recent supporting data available. Provide the source of any supporting data.**
 - b. For tariff items 11 through 14 (Sheet #4), identify the specific utility costs included in these cost components. Provide a detailed calculation of each component as requested in letter "a." above.**
 - c. For tariff items 15 through 17 (Sheet #5), provide a detailed calculation of each cost component as requested in letter "a." above.**
 - d. For tariff items 18 and 19 (Sheet #6), identify the type of testing required for each system, the governmental agency requiring the testing and the filing dates for each required report. Provide a detailed calculation of each cost component as requested in letter "a." above.**
 - e. For tariff items 20, 21, 26-28, provide a detailed calculation of each cost component as requested in letter "a." above.**
 - f. For tariff item 22, identify the regulating agencies, and provide a detailed calculation of the cost component as requested in letter "a." above.**
 - g. For item 25, provide a detailed calculation of the cost component as requested in letter "a." above. Please explain in general terms under what circumstances a city or county would enter into a franchise with a utility providing service to a single housing development.**
 - h. For items 29 and 30, identify members of local management and corporate management and list the services provided to the utility by each group. Provide a detailed calculation of the cost components as requested in letter "a." above.**

Company Response:

At this time, the Company has no operating history upon which to base a rate study. KCC's proposed initial tariff is based upon the tariff already approved by the TRA in Tennessee Wastewater Service's last rate case (Docket #99-00393), and is designed only to recover its cost of operations without a return of capital since the initial physical plant will be contributed to the utility. This same tariff was also adopted by the TRA for the initial rates used by Integrated Resource Management (Docket #03-00467) and for Foothills Utilities (Docket #04-00117) in their CCN filings. As such, these are the most appropriate rates available for KCC since they have been tested based upon actual operating conditions and reviewed within the context of a rate case.

In regards to Item 30d, the State of Tennessee, Department of Environment & Conservation, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process sets limits on the amount

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, and have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and the costs to get the samples to the laboratory.

In regards to Item 22f, the State of Tennessee, Department of Environment & Conservation requires each sewage treatment facility that has been issued an operating permit to pay an annual fee to defray the costs of monitoring the wastewater system and insuring compliance with environmental regulations.

In regards to Item 22g, the Franchise Taxes referred to in Tariff Item #25 relate to State of Tennessee Franchise Taxes and not to any local franchise tax. The current State of Tennessee Franchise Tax Rate is \$0.25 per \$100 of assessed property. KCC has no information to “explain the general terms under what circumstances a city or county would enter into a franchise with a utility providing service to a single housing development.”

In regards to Item 22h, the Local Management Fee and Corporate Management Fees are designed to manage and recover the day-to-day operations of the company, insuring that contractors, billing, collection and other services are being performed properly and that customer service issues are handled in an expedited manner.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 31. Provide a price out of projected monthly revenues for Year 1 and Year 2 based on KCC's proposed tariff for residential customers and the customer projections supplied in Request # 28.**

Company Response:

As stated in Item #28, the actual build-out rate for Ashby Communities will be determined by the individual builders/lot owners and not by KCC. Because this build-out activity is outside the control of KCC, we have no means to reasonably estimate the revenue from the proposed tariff. However, KCC's proposed initial tariff is based upon the tariff already approved by the TRA in Tennessee Wastewater Service's last rate case (Docket #99-00393), and is designed only to recover its cost of operations without a return of capital since the initial physical plant will be contributed to the utility. This same tariff was also adopted by the TRA for the initial rates used by Integrated Resource Management (Docket #03-00467) and for Foothills Utilities (Docket #04-00117) in their CCN filings. As such, these are the most appropriate rates available for KCC since they have been tested based upon actual operating conditions and reviewed within the context of a rate case.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 32. Provide a projected Income Statement for Year 1 and Year 2, based on responses provided in this data request.**

Company Response:

The Company expects its income to be zero (\$0) for both Year 1 and Year 2. As stated in Item #28, the actual build-out rate for Ashby Communities will be determined by the individual builders/lot owners and not by KCC. Because this build-out activity is outside the control of KCC, we have no means to reasonably estimate the revenue from the proposed tariff. However, KCC's proposed initial tariff is based upon the tariff already approved by the TRA in Tennessee Wastewater Service's last rate case (Docket #99-00393), and is designed only to recover its cost of operations without a return of capital since the initial physical plant will be contributed to the utility. This same tariff was also adopted by the TRA for the initial rates used by Integrated Resource Management (Docket #03-00467) and for Foothills Utilities (Docket #04-00117) in their CCN filings. As such, these are the most appropriate rates available for KCC since they have been tested based upon actual operating conditions and reviewed within the context of a rate case.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

33. Describe in detail the "Inspection Requirements" referenced in the Rules and Regulations listed as 2. e. under the "Statement of Purpose" section. Are these inspection requirements contained in the proposed tariff? If so, please provide a tariff reference.

Company Response:

The Inspection Requirements listed as Item 2e on TRA Tariff #2 are intended to be broad and general in nature. The Inspection Requirements are designed to allow the Company to comply with Item 2 of the Sewer Subscription Contract contained in Attachment #1 of TRA Tariff #2 which reads as follows:

2 I acknowledge King's Chapel Capacity, its successors and assigns have a perpetual easement in, over, under and upon the above specified land as shown on the property plat, with the right to operate and repair all components of the wastewater system on my property, including but not limited to the septic tank, the STEG (Septic Tank Effluent Gravity) or STEP (Septic Tank Effluent Pumping) system I further grant King's Chapel Capacity permission to enter upon my property for any reason connected with the provision or removal of wastewater service or collection therefore

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 34. Provide a copy of the referenced “Rule 602.2” listed in the section "Authorization of Rules and Regulations."**

Company Response:

To a certain extent KCC relied upon the tariffs filed by other wastewater utilities when it developed its own tariff. KCC is uncertain about the source of the reference to “Rule 602.2”, but after a careful review, we believe this should refer instead to Rule 1220-4-1-.03(2). The attached tariff page corrects this error.

9. STEG tank - Shall mean any tank located near a building containing an effluent filter for the purposes of accepting sewage waste.
10. STEP tank - Shall mean any tank located near a building containing a pump vault for the purposes of accepting sewage waste.
11. Stub-out line (building collector line) - Shall mean the line that carries the sewage waste from the building to the STEP/STEG tank
12. TRA — Shall mean Tennessee Regulatory Authority.

Authorization of Rules and Regulations

King's Chapel Capacity is a corporation in good standing with the State of Tennessee and is organized as a privately owned public utility. King's Chapel Capacity operates under the auspices of a Certification of Convenience and Necessity issued by the Tennessee Regulatory Authority. King's Chapel Capacity submits the following statement of its Rules and Regulations in compliance with Rule 1220-4-1-.03(2).

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each wastewater system customer of King's Chapel Capacity.

Utility Items on Private Property

The company shall own and maintain all STEP and STEG tanks, control systems, and service lines required to provide sewer service on the customer's premises. The customer must execute an agreement granting an easement to the company for maintenance of the sewer system. The building plumbing and Stub-out line shall be maintained by the customer.

Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth below.
2. For misrepresentation in the application.
3. For adding to the property or fixtures without notice to the company
4. For molesting any service pipe, tank, control system, filter, or any property of the company in any way whatsoever.
5. For violation of any rules of the company
6. For disconnecting or reconnecting service by any party, other than a duly authorized agent of the company, without the consent of the company.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 35. Explain in detail all procedures to be followed by the Company when disconnecting service, cutting off wastewater service and reconnecting service.**

Company Response:

The actual disconnection of wastewater service is something that would only be done by the Company as a last resort

If a customer has not paid their wastewater bill within seven (7) days beyond the due date, then a late notice will be mailed. If the customer has still not either paid their wastewater bill or made some type of communication to the Company contesting the bill or making other arrangements for payment within fifteen (15) days beyond the due date, then the Company will send a late notice and intent to shut off services notice by certified mail. If the customer has still not either paid their wastewater bill or made some type of communication to the Company contesting the bill or making other arrangements for payment within thirty (30) days beyond the due date, then the Company will shut off water service at the customer's premises through the Company's own master valve as provided for in Paragraph #4 of the Sewer Subscription Contract contained in Attachment #1 of TRA Tariff #2 which reads as follows:

4 I hereby authorize King's Chapel Capacity to purchase and install a cutoff valve on my side of my water meter and grant King's Chapel Capacity exclusive right to use such valve in accordance with its Rules and Regulations. However, the use of this valve does not in any way relieve me of my obligation to pay for water service to the service provider

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

- 36. Explain the Company's rationale for charging a disconnection fee and under what circumstances it would apply. Will the disconnection fee be charged when a customer is later reconnected and is charged a reconnection fee?**

Company Response:

The rationale for charging a disconnection fee is to cover the Company's cost of sending an attendant to physically shut off the water supply. This disconnection fee would only apply when the water service is disconnected from the Company's master shut-off valve from the procedures described in Item #35. The disconnection fee would be charged even if a customer is later reconnected and charged a reconnection fee since both fees are designed to cover the incremental cost of sending an attendant to physically shut off the water and then another trip to reconnect the water supply.

King's Chapel Capacity
TRA Data Request Response – Docket 04-00335

37. Identify under what conditions the utility will deny service. Are these conditions enumerated in the proposed tariff? If so, please provide the tariff reference.

Company Response:

Reasons for denial of service are listed under the caption of "Discontinuance of Service" on TRA Tariff #2, Sheet #2 and read as follows:

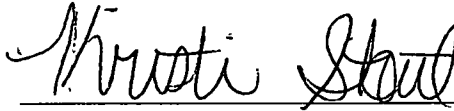
Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth below.
2. For misrepresentation in the application.
3. For adding to the property or fixtures without notice to the company.
4. For molesting any service pipe, tank, control system, filter, or any property of the company in any way whatsoever.
5. For violation of any rules of the company.
6. For disconnecting or reconnecting service by any party, other than a duly authorized agent of the company, without the consent of the company.

Respectfully submitted,

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC

A handwritten signature in cursive script, reading "Kristi Stout", written over a horizontal line.

Charles B. Welch, Jr.

Kristi Stout

618 Church Street, Suite 300

Nashville, TN 37219

Tel: (615) 726-1200

Fax: (615) 726-1776

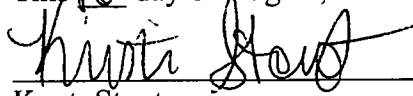
Attorneys for Petitioners

CERTIFICATE OF SERVICE

The undersigned hereby certified that the foregoing document has been served upon the following person/s by hand delivery or by United States Mail, with proper postage prepaid thereon:

Henry Walker, Esquire
Boult, Cummings, Conners & Berry, PLC
414 Union Street, Suite 1600
P.O. Box Nashville, Tennessee 37219

Richard Militana
Militana & Militana
5845 Old Highway 96
Franklin, Tennessee 37064

This 10th day of August, 2005.

Kristi Stout